Regional Gas Market Update

Presentation to:

ISO-NE Planning Advisory Committee

Tom Kiley
Northeast Gas Association
NGA’S ANTITRUST COMPLIANCE PROCEDURES

Adopted by the NGA Board of Directors on June 4, 2003

Objective

The Northeast Gas Association (NGA) and its member companies are committed to full compliance with all laws and regulations, and to maintaining the highest ethical standards in the way we conduct our operations and activities. Our commitment includes strict compliance with federal and state antitrust laws, which are designed to protect this country’s free competitive economy.

Responsibility for Antitrust Compliance

Compliance with the antitrust laws is a serious business. Antitrust violations may result in heavy fines for corporations, and in fines and even imprisonment for individuals. While NGA’s attorneys provide guidance on antitrust matters, you bear the ultimate responsibility for assuring that your actions and the actions of any of those under your direction comply with the antitrust laws.

Antitrust Guidelines

In all NGA operations and activities, you must avoid any discussions or conduct that might violate the antitrust laws or even raise an appearance of impropriety. The following guidelines will help you do that:

- Do consult counsel about any documents that touch on sensitive antitrust subjects such as pricing, market allocations, refusals to deal with any company, and the like.

Continued on NGA web site...

http://www.northeastgas.org/about-nga/antitrust-guidelines
About NGA

- Non-profit trade association
- Local gas utilities (LDCs) serving New England, New York, New Jersey, Pennsylvania
- Several interstate pipeline companies
- LNG importers (Distrigas, Repsol) and LNG trucking companies
- Over 320 “associate member” companies, from industry suppliers and contractors to electric grid operators
- www.northeastgas.org
Issues

- The Recent Winter
- Natural Gas Supply Trends
- Proposed Regional Infrastructure
- Regulatory Issues
Winter Summary…in Brief

- ~7% warmer than average
- No new peak days
- Storage levels remain relatively high despite lingering cold in March
- Higher commodity prices than previous winter but still fairly moderate

Source: U.S. NOAA
Some Brief Spikes but Generally Stable
LNG Imports

- Distrigas increased its annual imports in 2016 to just under 70 Bcf.
- Distrigas imported approx 7.5 Bcf in Jan., 8.8 Bcf in Feb., 5 Bcf in Mar. (preliminary data)
- U.S. imported 84.5 Bcf overall in 2016, and exported 184 Bcf.
Natural Gas Supply Trends
Marcellus Production Remains Strong

Marcellus Shale currently producing about **19 Bcf/d** and is projected to continue to lead the nation in shale output in coming years. Pennsylvania is 2\textsuperscript{nd} largest gas producing state in U.S.
Gas Customer Base in Region Continues to Grow

Natural Gas added over 1 million new household customers in last 8 years. Of that, New England added 350,000.
Infrastructure
Algonquin Incremental Market (AIM) Project: Spectra Energy

Purpose:
- Provide growing New England demand with access to abundant regional natural gas supplies

Project Scope:
- Providing ~340 MMcf/d of additional capacity to move Marcellus production to Algonquin City Gates
- CapEx: $1 B

Customers (15 year terms):
- LDC Affiliates of UIL Holdings, Eversource, National Grid, NiSource
- City of Norwich
- Middleborough

Project Status:
- In-service late 2016, fully in-service early Jan. 2017

Facilities:
- Take up segments of 26” pipeline and replace with 42”; one segment of 36” loop; reinforcement of existing laterals; construction of new lateral
- Horsepower additions and modifications at 5 existing compressor stations
- New meter station installations and modifications to existing meter station
Connecticut Expansion Project: Kinder Morgan / TGP

Project Scope:
- Providing 72 MMcf/d of additional capacity to meet utility demand

Customers:
- UIL Holdings (CT Natural Gas & Southern CT Gas)
- Eversource (Yankee Gas)

Project Status:
- FERC issued final approval, Mar. 2016
- FERC issued Notice to Proceed for tree clearing and full construction, April 10, 2017
- Planned In-Service Date – November 2017

Source: Kinder Morgan
Regional Pipeline Projects

**In-Service, Late 2016/early 2017:**

Spectra’s (now Enbridge’s) “AIM Project” & “Salem Lateral”

**Projects fully approved by FERC or with FERC environmental permit, expected in-service 2017-18 (hopefully)**

- Dominion, “New Market Project”
- Transco, “Garden State Expansion Project”
- Tennessee, “Connecticut Expansion”
- Tennessee, “Susquehanna West”
- Enbridge (Spectra), “Atlantic Bridge”
- Millennium, “Valley Lateral Project”
- PNGTS, “Continent to Coast (C2C) Project”
- Transco, “New York Bay Expansion”
- Millennium, “Eastern System Upgrade”
- National Fuel Gas/Empire, “Northern Access”
- Transco, “Atlantic Sunrise”
- Williams, Cabot, “Constitution Pipeline”
Delays & Siting Challenges Remain

Federal approval process remains consistent, but region is seeing increasing delays at state level regarding final environmental permitting.

Projects are often being delayed one or more years – even with federal permits in hand, even with contract commitments.

Challenges remain acute for power generation-related projects – financing pathway to serve power sector still to be developed.
Regulatory Initiatives
Northeast States Lead U.S. in Gas Efficiency Investments

9 Northeast states = $544 million investment in 2015
Equal to 39% of U.S. total of $1.4 billion

System Safety & Public Awareness

- April is National Safe Digging Month.
- Accelerated infrastructure replacement
- Pipeline safety.
- Public awareness.
Methane emissions from natural gas systems in MA have declined by 67% since 1990, according to MA DEP’s recent GHG inventory report. Natural gas sector in MA = 1.1% of total state GHG emissions.
Questions?